

**REPORT OF THE AUDIT OF THE  
CASEY COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2008**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CASEY COUNTY SHERIFF**

**For The Year Ended  
December 31, 2008**

The Auditor of Public Accounts has completed the Casey County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$4,314 from the prior year, resulting in excess fees of \$18,746 as of December 31, 2008. Revenues increased by \$32,235 from the prior year and expenditures increased by \$27,921.

#### **Report Comments**

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And The Reconciliation Process
- The Sheriff Should Accurately Classify All Receipts From The Official Tax Account

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Ronald Wright, Casey County Judge/Executive  
The Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Casey County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2009 on our consideration of the Casey County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ronald Wright, County Judge/Executive  
The Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And The Reconciliation Process
- The Sheriff Should Accurately Classify All Receipts From The Official Tax Account

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Casey County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

December 8, 2009



CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	23,439
State Fees For Services:		
Finance and Administration Cabinet	\$	58,383
Transporting Prisoners		4,568
Sheriff Security Service		5,578
Drug Task Force Salary Reimbursement		20,833
		89,362
Circuit Court Clerk:		
Fines and Fees Collected		5,116
Fiscal Court		95,521
County Clerk - Delinquent Taxes		972
Commission On Taxes Collected		144,141
Fees Collected For Services:		
Auto Inspections		4,558
Accident and Police Reports		840
Serving Papers		19,304
Carrying Concealed Deadly Weapon Permits		2,725
		27,427
Other:		
Sheriff's Fees		22,768
Advertising Fees and Costs		3,180
Miscellaneous		1,081
Transport Prisoners		5,749
County Portion House Bill 577		6,100
Jury Sequestration		628
		39,506
Interest Earned		4,444
Borrowed Money:		
State Advancement		50,000
		479,928
Total Revenues		479,928

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY  
 JERRY COFFMAN, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2008  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$ 133,103	
Judicial Center Security	50,682	
Other Gross Salaries	45,359	
Overtime Gross Salaries	4,046	
KLEFPF	18,124	
KLEFPF Overtime	447	\$ 251,761
Employee Benefits-		
Employer's Share Social Security	3,876	
Employer's Share Hazardous Duty Retirement	3,349	7,225
Contracted Services-		
Advertising	1,634	
Vehicle Maintenance and Repairs	4,017	5,651
Materials and Supplies-		
Office Materials and Supplies	2,795	
Uniforms	1,515	4,310
Auto Expense-		
Gasoline		30,284
Other Charges-		
Conventions and Travel	932	
Cell Phone	2,335	
Dues	358	
Postage	4,762	
Bond	761	
Carrying Concealed Deadly Weapon Permits	1,325	
County Portion House Bill 577	6,100	
Utilities	3,809	
Deputy Training	1,222	
Miscellaneous	4,190	25,794

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY  
 JERRY COFFMAN, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2008  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay-		
Office Equipment	\$	8,610
Debt Service:		
State Advancement		<u>50,000</u>
Total Expenditures	\$	<u>383,635</u>
Net Revenues		96,293
Less: Statutory Maximum		<u>74,022</u>
Excess Fees		22,271
Less: Training Incentive Benefit		<u>3,525</u>
Excess Fees Due County for 2008		18,746
Payments to Fiscal Court - March 5, 2009	18,583	
June 2, 2009	<u>163</u>	<u>18,746</u>
Balance Due Fiscal Court at Completion of Audit	\$	<u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2008  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent for the first six months and 29.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Casey County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Casey County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2008  
(Continued)

Note 4. Drug Enforcement Account

Under the terms mandated by the Commonwealth of Kentucky, the Casey County Sheriff receives proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are used exclusively for operating expenditures incurred for law enforcement activities against drug related activities and are not included in excess fees.

As of December 31, 2007, the account had a balance of \$80,264. Receipts and expenditures for 2008 were \$42,680 and 55,080, respectively, leaving a balance of \$67,864 as of December 31, 2008.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald Wright, Casey County Judge/Executive  
The Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Casey County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated December 8, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Casey County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And The Reconciliation Process



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Accurately Classify All Receipts From The Official Tax Account

The Casey County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Casey County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

December 8, 2009

## COMMENTS AND RECOMMENDATIONS



CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

STATE LAWS AND REGULATIONS:

The Sheriff Should Accurately Classify All Receipts From The Official Tax Account

The Sheriff reported all transfers from the official tax accounts as commissions on the financial statement. These transfers should be categorized as commissions, add-on fees, advertising fees, and interest. Auditor spent a considerable amount of time reclassifying commissions to the appropriate account categories mentioned above. Per KRS 43.075, the county official should comply with the uniform system of account adopted under KRS 68.210. Therefore, we recommend the Sheriff maintain an accurate record of receipts by source and amount, in compliance with KRS 43.075.

*Sheriff's Response: This will be taken care of.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And The Reconciliation Process

The Sheriff's office has a lack of segregation of duties over receipts, disbursements, and reconciliation process. The bookkeeper collects receipts and prepares deposits. The bookkeeper is also responsible for the majority of purchasing, prepares and signs all checks, and prepares the financial statements. The office clerk collects receipts, prepares the daily checkout sheets, and performs the monthly bank reconciliations. As a result, auditors had to recap daily checkout sheets to agree to the bank statements. The bookkeeper and office clerk do not reconcile the financial reports with the daily checkout sheets. Adequate segregation of duties would prevent the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. To adequately protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we recommend the Sheriff separate the duties involving receipts, disbursement of cash, preparation of the financial reports, and bank reconciliation process. If, due to a limited number staff, that is not feasible, strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the Sheriff could also provide the oversight. The individual providing this oversight should initial source documents as evidence of this review.

*Sheriff's Response: This will be hard to correct being a small department as we are.*

